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How Belgians Make Ends Meet

¶1. (U) Although Belgium has one of the highest per capita income levels of the EU ($35,749 in 2005), Belgian households still struggle to balance their budgets, due to high prices for some basics. Electricity prices, for example, are near 30 percent above those of France. A recent survey compared the average Belgian household budget of today, broken down by expense type, with that of 15 and 25 years ago, revealing surprising results.

¶2. (U) Housing costs have risen from 17.7 to 21 percent of a household budget over 25 years. Adding the costs of heating, lights, and water means that 26 percent of family income goes to basic housing costs. Healthcare costs have risen from 3.3 to nearly 5 percent, transportation has risen from 10 percent to 13.4 percent of expenses, and the percentage paid for communications has tripled over the period. To make ends meet, Belgian families now spend less on food (15.8% down from 22.2%), clothing (just 4.7%), and travel. Although Belgians are still legendary savers, with a savings rate above 8 percent and nearly 70% enjoying homeownership, an increasing number of Belgians are in debt, and credit counseling is a growing industry.

A Permanent Tax Amnesty

¶3. (U) Following on the highly successful tax amnesty program of 2004 (Ref A), the Belgian Federal government has decided to institute a version of the program as a permanent feature of the tax system. The program was adopted in late December 2005, and on March 15 the implementing regulation was issued. By filling out a fairly short regularization declaration and paying an obligatory fine, taxpayers can repatriate investment funds held outside of Belgium. There is no fine for work income repatriated if declared before

June 30, only a five percent fine if declared in the next six months, and a ten percent fine if declared in the following year. Given the obligatory fine, these are tougher terms than the 6 or 9 percent tax imposed under the 2004 Amnesty, but more attractive than regular tax terms.

¶4. (U) Tax advisors lauded the new program, saying many persons were unable to take advantage of the 2004 program. The government hopes to earn 400 million euros through the amnesty program, somewhat under half of what it received in ¶2004. More important than the revenue received, however, will be the impact of the repatriated capital on the Belgian economy; in 2004 an estimated 12 and 15 billion euros were returned (not all of it through amnesty program channels), which many believe had a role boosting the nation's GDP growth to 2.4%, better than the 1.5% registered in 2005. The new amnesty program works out to at least 3 billion euros repatriated. (Comment: The government has so far avoided the question of whether a permanent amnesty invites "moral hazard" and will progressively yield less.)

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FDA Talks Confidentiality with Health Ministry
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¶5. (U) On March 10, FDA Deputy D/Commissioner Murray Lumpkin and Asst. Commissioner Melinda Plaisier met Belgian officials to discuss a possible bilateral confidentiality agreement. A bilateral accord would facilitate information sharing about pharmaceutical companies and their manufacturing capacity to assist with regulatory oversight, and permit advance notification among authorities of public actions on pharmaceutical issues, such as the Vioxx withdrawal. D/HHS Secretary Azar, visiting Brussels in November 2005, had encouraged Minister Demotte to move towards such an agreement.

¶6. (SBU) Belgium's Health Ministry was represented by Johann Van Causter (Director General of Medicines), Els Geeraert (Legal Affairs), Alex Monteiro (Minister's Cabinet), and Leen Meulenberg (International Relations). Van Causter asked for clarifications about the purpose, scope, and bilateral applicability of confidentiality agreements. Could Belgium undertake such a bilateral agreement within its EU and European Medicines Evaluation Agency (EMEA) obligations? FDA officials answered fully, detailing that France and Germany have concluded such confidentiality agreements with the US in the past year, and

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other EU members are arranging the same. Noting that FDA was open to additional Belgian language that would adapt the agreement to meet Belgian needs and concerns, Lumpkin invited Belgian text additions. The legal departments of FDA and the Health Ministry expect to exchange texts in coming weeks, and sounded optimistic about an agreement in the next few months.

Not Polish Plumbers, Polish Carpenters!

¶7. (U) Belgium's Construction Federation estimates that it is Polish carpenters not plumbers, who threaten the livelihoods of Belgian workers. The trade association estimates that Polish construction workers and cleaning ladies are the majority of the 100,000 estimated Polish nationals working in the informal sector of the Belgian economy. High Belgian wage rates are partly to blame, they note: a Belgian union tile-layer gets 40 euros per square meter of tile installed, while an illegal Polish worker will get only 10 euros for the same work. The industry recognizes the problem, and says it is not against engagement of foreign workers - if they use one of the three programs for legitimately working in Belgium. Such work permits and foreign firm affiliates are not attractive to the sector, however, in part because the taxes and social insurance contributions are channeled back to the country of

origin.

Update on Belgacom's Acquisition of Telindus

8.(U) Belgacom, Belgium's leading telecommunications company, leading the sector in fixed-line, mobile, internet, and broadband communications, has pursued competitor Telindus since last Fall (ref B). The takeover bid was finalized February 15, with Belgacom acquiring 98.31% of Telindus shares. On March 15, after the successful closure of Belgacom's bid on Telindus Group NV (Telindus), Telindus was officially delisted from the Brussels Stock Exchange. The mobile communications component associated with each company had posed a problem to the merger: Belgacom is the parent company of Proximus, the dominant face of mobile communications in Belgium, while Mobistar, the leading mobile competitor, is part of Orange Group, which in turn is part of the France Telecom Group. France Telecom had been competing with Belgacom to acquire Telindus, which owned nearly five percent of Mobistar. Belgacom has reported that, because the Mobistar shares do not represent a "strategic stake," after the merger Belgacom will divest itself of the Mobistar shares Telindus holds. This should maintain competition in the Belgian mobile telephony sector.

Belgian Trading Shifts Northward...

¶9. (U) In 2005, the Netherlands has become Belgium's single largest trading partner, overtaking the historical trade leaders Germany and France. Because the trade data are based on value not volume of exports, the increased prices for natural gas and petroleum products are the main cause of this development. Belgian petroleum products enter chiefly through the port of Rotterdam and are piped down to Antwerp, while the Dutch natural gas is imported from Groeningen. Belgium now has a substantial trade deficit with the Netherlands, while it has maintained trade surpluses with both France and Germany. The U.S. is still Belgium's fifth largest trading partner (with combined imports and exports worth 20.6 billion euros in 2005), while the U.K. ranks as number four.

Expanding the Chocolate Market

¶10. (U) A follow-up on Belgium's chocolate industry (ref C): New Tree Chocolate held its scheduled IPO in the Brussels Euronext stock exchange in December, raising over 4 million euros to permit its expansion plans. Now a rival chocolate maker, Galler, has announced an increase in its own capital - from an unexpected source. Galler Chocolatiers has increased by 3 million euros its financial base to permit its expansion in London, Lebanon, and Qatar. Control of the company remains with the Galler family (52% shareholding), but now expands to include 33% holding by Lebanese investors and 12% ownership by Qatari nationals, including Shief Jassim Mohamed Al-Thani and Tarek Jamal Hamid Kassem. Given the massive petrodollar revenues middle-eastern tycoons are currently enjoying, reinvestment in a Belgian product of growing popularity holds great promise. But will it shift the product mix out of liqueur-filled truffles, in respect for the alcohol-free Moslem market?

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